

REMARKS

The amendments above and the remarks below are in response to an Office Action mailed in the above-listed patent application on January 20, 2004. In the Office Action, all of the pending claims were rejected. In particular, Claims 1-3, 5-9, 11-17, 21, 24-25, 28-29, 31-33 and 36-37 were rejected under 35 USC §103(a) over U.S. Patent No. 5,717,989 to Tozzoli et al. ("Tozzoli") in view of *Corporate Profile for TradeCard, Inc.*, Business Wire, PTO-892, Item: U ("BWire1"), *Logistics Firms Offer Trade Finance* by Gordon Platt, PTO-892, Item: V ("Platt") and *UPS Capital Forms Strategic Alliance for Total On-line Billing Payment Solution*, PR Newswire, PTO-892, Item: W ("PRN"). Claims 18-20 and 34 were rejected under 35 USC §103(a) over Tozzoli, BWire1, Platt, PRN and *Tradecard and Tradeeasy Announce Strategic Partnership to Complete the E-Commerce Transaction Loop*, Business Wire, PTO-892, Item: X ("BWire2"). Claim 35 was rejected under 35 USC §103(a) over Tozzoli, BWire1, Platt, PRN and *Bills for the 21st Century* by Beth Bacheldor, PTO-892, Item: UU ("Bacheldor").

TOZZOLI

Tozzoli is generally directed to a trade system for facilitating a transaction between a buyer, a seller and a funder. The funder guarantees payment for transactions processed by the trade system between an approved buyer and a seller which satisfy the funder's predetermined criteria, as described at column 5, lines 36-39 of Tozzoli. In addition, the trade system verifies that each portion of the transaction properly relates to the purchase order and criteria established by the funder or trade system, which is referred to as a "filtering process," as described at column 5, lines 39-42. If filtering is successful, the system generates payment instructions "at appropriate times," as described at column 5, lines 42-43.

As will be described in more detail below, companies wishing to act as buyers and sellers must go through an application process with the funder. In particular, the funder compares buyer or seller profiles to a set of criteria, such as minimum annual revenue or years in business, as a condition of the buyer or seller gaining access to the system, as described at column 5, lines 46-60 of Tozzoli. Once the buyer or seller has access, the funder sets a credit limit for the buyer or seller, as described at column 5, lines 61-67.

After obtaining access to the system, a buyer may place orders to purchase goods from one or more sellers through the system. Each purchase order forms an electronic document and includes at least certain terms, such as a description of the goods, price, quantity and delivery times, as described at column 6, lines 32-37. The system filters purchase orders by comparing them to the screening criteria required by the funder and the trading system, as described at column 7, lines 34-38 of Tozzoli.

If the purchase order meets the criteria, the trade system can generate a payment guarantee on behalf of the funder, guaranteeing payment when the seller meets certain additional conditions, such as shipment of the goods by the seller. When the proposed purchase order meets the filtering criteria, the trade system forwards the purchase order in the form of data to the seller with an indication of the funder's payment guarantee, as described at column 7, lines 54-58 of Tozzoli.

The seller then creates electronic shipping documents including shipping instructions and a commercial invoice and filters the documents to ensure compliance with the original purchase order, as described at column 8, lines 47-56 of Tozzoli. Once the shipping documents are created, they are sent to the carrier or freight forwarder along with the goods, as described at column 8, lines 64-67. The carrier is provided a template by the system to create its own bill-of-lading which is screened against the original purchase order and then forwarded to the seller, the buyer and a buyer broker if involved, as described at column 9, lines 12-17 of Tozzoli.

The carrier then places the goods in transit to the buyer, as described at column 9, line 20 of Tozzoli. Once the goods are placed in transit in step **820** (as shown in Figure 3B of Tozzoli), a copy of the bill-of-lading is sent in step **860** (as shown in Figure 3C of Tozzoli) to the seller. Then, a funds transfer request is sent in step **870** to the seller's bank and funds are transferred to the seller's bank in step **880**, such as via a conventional credit card network or a third party electronic document interchange network.

Once funds have been transferred, a notification of funds transfer is received in step **900** by the system and sent to the seller in step **910**. Then, the system transmits the data constituting the bill-of-lading to the customer in step **920** and authorizes the carrier to transfer possession of the goods to the buyer in step **930**. The buyer receives the bill-of-lading data in step **940** and makes arrangements with the carrier to receive the goods, as described at column 17, lines 5-7 of

Tozzoli. Notably, payment is transferred to the seller's bank in step **880** before transfer of the package to the buyer is authorized in step **930**, and before the buyer is transferred the bill-of-lading data in step **940**. Therefore, the seller in Tozzoli receives payment many steps before the buyer receives the package.

Tozzoli describes an alternative payment mechanism at column 17, lines 17-25. In the alternative mechanism, the seller produces data representing an invoice and transmits it to the buyer for payment after submitting the bill of lading. The buyer then responds by creating a payment advice document advising the seller of the payment date and instructing a financial institution to transfer payment to the seller. In the paragraph disclosing the alternative payment mechanism, Tozzoli does not disclose details of the timing of payment by the buyer and transfer of the payment to the seller and, in particular, makes no mention of awaiting notification of receipt of the package by the buyer before distributing payment for the package to the seller.

If the same timing of the primary payment mechanism is used in the alternative payment mechanism, the seller of Tozzoli, as indicated in step **860** of Figure 3C, still has the bill-of-lading data long before the buyer receives the bill-of-lading data in step **940**. The seller, therefore, would be able to request payment with its bill-of-lading long before the buyer could obtain possession of the package with its bill-of-lading. No suggestion is made by Tozzoli that the payment could be withheld by the buyer until receipt of the package. Even if payment were withheld by the buyer, then the seller would be unprotected because the buyer may receive the package without paying the seller because no hold would be placed on delivery of the package. This results from direct interaction of the buyer and seller to obtain payment in Tozzoli's alternative payment mechanism, and the lack of a hold placed on delivery of the package. Thus, in this aspect there is no escrow of the payment or of the package.

In yet another payment arrangement, the trade system transmits an instruction to the seller's bank to request payment and the seller's bank requests payment from the funder using the trade system, as described at column 17, lines 25-30 of Tozzoli. Similar to the first alternative payment arrangement, this second alternative does not describe the timing of the payment to the seller, disclosing only different parties requesting and receiving payment, much less placing a hold on delivery while awaiting payment into escrow and then awaiting notification of shipment to the buyer before distributing payment to the seller out of escrow.

Tozzoli, therefore, fails to teach or suggest a system in which delivery of a package can be held until payment is received into escrow from a purchaser and wherein payment to the seller is held until a notification of delivery to the purchaser is received. Without such a combined escrow of the package and the payment, one of the seller and the purchaser is at risk.

BACHELDOR

Bacheldor describes the use of real time credit and financing options as an alternative to the use of “credit applications, faxes, and checks – often adding days to a transaction,” at page 1, the Abstract. Disclosed as solutions to this problem are the use of eCredit.com which processes credit authorizations in real time over the Internet and iPlanet E-Commerce Solutions which helps “automate payments for online marketplaces,” Bacheldor at page 1, the Abstract.

Bacheldor also discloses the interest of the participants in guaranteeing payment and quality products. “A seller’s concern is, ‘Am I going to get paid?’ A buyer’s concern is if the product is going to be good. While moving the money fast is very important, the value is mechanisms to guarantee payment and quality.” *See* Bacheldor, page 3, 3rd paragraph. Bacheldor also describes UPS Capital Corp. as supplying factoring services for electronic marketplaces and assuming payment risk during delivery at page 3, 8th paragraph. “For a fee, UPS Capital will pay the seller the price of the goods, then collect payment from the buyer within about 30 days.” The service being provided by UPS Capital is also described as being bundled with automated payment and collection of bills as soon as the buyer receives its goods. “Following the delivery, an online bill is sent over the Internet to the buyer’s system for final approval.” *See* Bacheldor, page 3, last paragraph.

Bacheldor also mentions in passing that when buyers and sellers haven’t done business with each other before, they often use an escrow service that holds the payment until the goods are delivered. *See* Bacheldor, page 2, next to the last paragraph.

BWIRE2

BWire2 discloses details about TradeCard and Tradeeasy, two systems for conducting and settling international trade transactions. BWire2 describes Tradeeasy as the Internet website through which goods are ordered and TradeCard which provides settlement through the same website. BWire2 describes an initial approval by completion of an online application and

creation of a purchase order with terms and conditions that are secured on a database, at page 1, last paragraph and page 2, 5th and 6th paragraphs. Upon storage of the electronic data, the TradeCard system notifies the seller that an order is pending.

At the time of shipment, the seller produces an invoice and may obtain assurance of payment from a third party credit insurer. *See* BWire2, page 2, 7th paragraph. The shipment is inspected, delivered and, at the time of delivery, a third-party logistics provider submits proof-of-delivery documents. *See* BWire2, page 2, 7th paragraph.

The TradeCard system then verifies that the terms of the transaction are met by comparing the purchase order data with the commercial invoice, packing list and proof of delivery documents. Any discrepancies are noted, the buyer and seller resolve them online. Once the discrepancies have been resolved “a global payment provider electronically funds from the buyer’s financial institution to the seller’s financial institution, settling the transaction. *See* BWire2, page 3, 1st paragraph.

PRN

PRN describes UPS Capital’s entry into electronic bill presentment and payment (EBPP). PRN describes focusing on the biller and the payer, “UPS Capital is reversing the conventional EBPP model that focuses only on the biller, by developing a product that focuses equally on the biller and payer. The key to triggering bill payment, after all, is proof that the goods have arrived.” *See* PRN, page 1, 2nd paragraph. The system of PRN is described as being able to facilitate business-to-business transactions by dynamically tracking the status of their invoices and adjusting payment based on the status of the goods. The system is also described as being configured to select out exception items that can slow processing. *See* PRN, page 2, 3rd and 4th paragraphs.

PLATT

Platt describes the entry of several third-party logistics companies (3PLs) into trade finance. A program called Trade1 is described which “allows companies to delay taking possession and paying for the goods until they need them for manufacture or sale.” *See* Platt, page 2, line 10. Another called Danzas provides credit insurance on foreign buyers, assuring

exporters of payment at the time of shipment, instead of waiting for the importer to receive and inspect the goods. Danzas offers a similar service for importers by advancing funds to a foreign supplier and assuming responsibility for picking up and inspecting the goods, eliminating the need for a letter of credit. *See* Platt, page 2, lines 12-17.

TradeCard is described as a system which electronically automates all of the documents required in a global trade transaction and settles payment upon compliance. *See* Platt, page 3, lines 7-8.

TradeDoc is described as speeding the letter of credit process by electronically generating trade documents, including outsourcing preparation of the electronic documents to a bank for preparation using a secure Internet connection. TradeDoc is also described by Platt as providing secure communication over the Internet of both invoice data from exporters and letter-of-credit information from third parties. *See* Platt, page 3, lines 15-17.

BWIRE1

BWire1 discloses that the TradeCard system is related to U.S. Patent Application No. 5,717,989 to Tozzoli et al. (Tozzoli).

Independent Claims 1, 21, 25, 36 and 37

It was alleged in the Office Action that the UPS Capital system when combined with Tozzoli/TradeCard teaches the present invention as described in Claims 1, 21, 25, 36 and 37.

Tozzoli et al., BWire1, and Platt teach all the above as noted under the 103(a) rejection and teach TradeCard competing in the same international trade finance arena with UPS Capital, a unit of United Parcel Service (UPS), and other third-party logistics firms, and further teach assuring exporters of payment at the time of shipment instead of waiting for the importer to receive and inspect the goods, but do not disclose bill payment upon proof of delivery of goods. PRN teaches UPS Capital reversing the conventional electronic bill presentment and payment (EBPP) model that focuses only on the biller by developing a product that focuses equally on billers and payers, combining UPS Capital's EBPP system with UPS' logistics businesses as the next logical step, and UPS Capital's EBPP model focusing on the biller and payer equally with the 'key to triggering bill payment is proof that the goods arrive.' (Item: W, see at least pages 1-2). Therefore, it would have been obvious to one of ordinary skill in the art at the time of the invention to modify Tozzoli et al., BWire1, and Platt to include bill payment upon proof of delivery as taught by PRN, in order to more fully disclose other bill payment

trigger mechanisms, and thereby attract buyers desiring to authorize payment based on proof of delivery.

See pages 7 and 8, paragraph 1 of the Office Action.

Claim 1 of the present application has various systems configured to implement and coordinate escrow of the package and the payment, including:

- 1) An information system configured to **receive requests to facilitate transactions**;
- 2) the information system configured to **transmit a package escrowing hold command** from the information system to a delivery service system in response to the requests;
- 3) the delivery service system configured to **hold its delivery of the package at an intermediate location** (once the package has reached the intermediate location) in response to the hold command;
- 4) a payment system configured to **receive the payment from the purchaser and hold the payment in escrow**;
- 5) the payment system configured to **transmit payment verification** information to the information system;
- 6) the information system configured to **send a release command to the delivery service system in response to receiving the payment verification**, releasing the hold on the package allowing it to be delivered to the purchaser; and
- 7) the information system configured to **receive a delivery verification** confirming delivery of the package to the purchaser at the information system;
- 8) the information system configured to receive the delivery verification and **transmit a distribution command to the payment system in response to the delivery verification**; and
- 9) the payment system configured to **distribute the payment from escrow to the seller in response to the delivery verification**.

As can be seen by the description above, the present invention as recited in Claim 1 is not merely a jumbled collection of systems capable of performing individualized tasks. These systems are capable of performing the tasks for which they are configured in a manner that

allows the accomplishment of certain goals.¹ These goals include protecting both the buyer and the seller without necessitating an extension of credit by the system to pay for the goods in the package, and minimizing the effort expended to deliver a package for which payment into escrow is not received. The information system recited in Claim 1 is configured to coordinate the movement of the package and the payment for the package to ensure that the escrow of the package and the payment are at one point simultaneous so as to protect both the buyer and the sellers, without requiring an extension of credit by the system to pay for the contents of the package. In addition, the information system recited in Claim 1 is configured to issue a hold command requesting that the package be held at an intermediate location pending payment into escrow by the purchaser, so as to prevent wasted delivery efforts.

Tozzoli does describe that its trade system may use data representing outside information in processing electronic documents, and gives an example of notifying the carrier to hold a shipment upon receiving notice of an embargo. However, holding the package is described as being in response to an embargo or "outside information." The suggestion by Tozzoli, therefore, is that events outside its trade system may exert control over delivery of the package. The extension of credit, billing and payment for the package are directly controlled by the trade system of Tozzoli and are therefore not "outside information" to the trade system. Claim 1 of the present application recites holding the package at the intermediate location in response to a request to facilitate a transaction and releasing the hold command in response to a payment into escrow. Both the request to facilitate, and the payment into escrow, are elements of the claimed delivery system; they are not suggested by Tozzoli's suggested response to "outside information" such as the imposition of an embargo by an outside political force.

Also, there is no motivation for Tozzoli to hold the package in escrow while awaiting payment. Holding the package Tozzoli's trade system is unnecessary because a credit approval has already been obtained from the buyer and the system of Tozzoli is therefore much more certain of eventual reimbursement for its financing of and payment for the goods. This is unlike the present invention, wherein credit approval for the purchaser to purchase the contents of the

¹ The required relationships between the claimed systems are only those described in the language of the claim. In particular, no particular order of performance of functions or steps of any claim of this application is required unless expressly stated in the claim.

package need not be obtained because a cash payment for the package contents is made into escrow by the purchaser. Without such a motivation, one of skill in the art would not seek to combine Tozzoli with an escrow payment.

The disclosure by Platt and BWire2 about the TradeCard system adds nothing to the disclosure of Tozzoli itself. Similar to the system described in Tozzoli, the TradeCard system as described in Platt and BWire2 involves either payment by a third-party credit insurer, or payment directly from the buyer's financial institution to the seller's financial institution. Therefore, Tozzoli, as described above, still fails to teach or suggest a system for escrowing both the package and the payment, especially an information system that ensures both escrows are at one point simultaneous and the payment is a cash payment into escrow by the purchaser, as recited in Claim 1.

In the Office Action, it was alleged that the UPS Capital system teaches assuring exporters of payment at the time of shipment instead of waiting for the importer to receive and inspect the goods. *See* pages 7 and 8, paragraph 1 of the Office Action. The UPS Capital system described in Bacheldor provides for a factoring arrangement in which payment is tendered by UPS Capital to the seller *on credit extended to the buyer*. Then, UPS Capital must bill the buyer and collect from the buyer the amount of the payment, plus fees long after the entire transaction has been completed. In this case, UPS Capital assures exporters of payment by assuming the risk (as does the funder of Tozzoli) of a failure of the buyer to pay when billed. "UPS Capital will assume the payment risk from the time the goods are delivered until the buyer pays the bill. For a fee, UPS Capital will pay the seller the price of the goods, then collect payment from the buyer within about 30 days." *See* page 3, 8th paragraph of Bacheldor. Credit, for the purpose of paying for goods, or other contents of a package, is not extended by the delivery system of Claim 1 because the payment into escrow for the goods in the package is a cash payment. The cash escrow of the present invention protects both the purchaser and the seller, but not at the cost of exposing the delivery system to the purchaser's failure to pay for the goods after the package have been delivered.

In discussion separate from the UPS Capital system, Bacheldor does disclose that escrow services are used to hold payment until delivery of goods. However, the reference to payment of escrow is part of a discussion of existing systems and is quickly dismissed in favor of credit-

based systems such as the UPS Capital system, an Eastman Chemical system which provides real time credit and financing options to buyers (at page 2, last paragraph of Bacheldor), eCredit.com which provides financing (at page 3, 2nd and 3rd paragraphs of Bacheldor) and VeriSign which adds “an extra layer of assurance to real-time credit authorizations,” (at page 3, 6th and 7th paragraphs of Bacheldor).

Bacheldor describes that in each of these credit-based systems, the transaction for the goods is bundled with the purchasing process to “combine procurement and financing into a single, swift transaction,” at page 2, 3rd paragraph. In addition, Bacheldor relates that online payment mechanisms that provide financing may be the difference between success and failure. “Online payment mechanisms could mean the difference between success and failure. ‘If marketplaces don’t offer this, they risk losing out,’ says Forrester Research analyst Steven Kafka. ‘If I am a buyer or seller, I’m going to go to the marketplace that offers financing.’” See Bacheldor at page 4, last paragraph (emphasis added). The whole thrust of Bacheldor, then, is that previous non-credit based payment mechanisms, such as payment into escrow, are insufficient to win market support. In the face of such a strong assertion that financing is required for success of the system, one of ordinary skill in the art would not be motivated to combine the Bacheldor’s mention of escrowing payment with Tozzoli, which is a credit-based system and which is more similar to the UPS Capital, eCredit and Verisign systems described in Bacheldor.

A combination of Bacheldor’s payment escrow with Tozzoli’s trade system would fail to teach the delivery system of the present invention as recited in Claim 1. Bacheldor describes withholding payment out of escrow to the seller until the goods have been delivered. Neither Tozzoli, nor Bacheldor, however, discloses first placing a hold on a package in response to a facilitation request, the hold requesting halting of delivery of the package at an intermediate location, then awaiting a cash payment into escrow before releasing the package for further delivery past the intermediate location. Without the command to hold the package at the intermediate location, combining Tozzoli with Bacheldor could result in delivery of the package to its final destination without payment into escrow. The ability of the present system to inhibit package travel past the intermediate location without payment into escrow ensures that the

package will not be accidentally released to the purchaser, or have to be returned through its entire route to the seller when a lack of payment is finally detected.

Tozzoli describes automatically notifying a carrier to hold the shipment in response to notice of an embargo and suggests that "outside information" may be used in processing electronic documents, at column 17, lines 31-36. As described above, however, no disclosure by Tozzoli is made that placement of such a hold would be due to a request to facilitate a transaction, because such a request would not be "outside information" to the system. In addition, there is no disclosure or suggestion in Tozzoli that the release of the hold on the shipment would be conditioned on payment into escrow, which would also not be "outside information" to the system. Release of a shipment following an embargo, for example, would only occur on lifting of the embargo by the political entity that imposed it.

Therefore, no combination of Tozzoli and Bacheldor would include communication of a hold command to hold the package at an intermediate location while awaiting the payment into escrow and releasing the hold command based on the payment into escrow. Without such timing, the seller would not be assured that payment was made into escrow before significant effort was invested in delivering the package to the buyer's location.

Claim 1 has been amended to clarify that the payment for the package is received and held in escrow prior to releasing the hold command and enabling final delivery of the package past the intermediate location. Each of Claims 21, 25, 36 and 37 describe systems or methods in which 1) a hold command is placed on delivery of the package to hold the package at an intermediate location in response to a facilitation request, 2) payment into escrow for the package is received, 3) the hold command is released, 4) the package is delivered from the intermediate location, 5) notice of delivery is received and 6) payment is made out of escrow to the seller.

None of the remaining references overcomes Tozzoli's above-described failure to teach or suggest Claims 1, 21, 25, 36 and 37. PRN describes further aspects of the UPS Capital system, including triggering bill payment when the proof of goods has arrived. However, this is not a suggestion to issue a hold command to inhibit delivery of a package past an intermediate location and release the hold command in response to receipt of payment into escrow. Platt describes the Trade1 system as allowing companies to delay taking possession and paying for

goods until they need the goods for manufacture or sale, but discloses no details on how such a result can be accomplished. Such a delay could be accomplished in many ways, including through use of a traditional factoring relationship wherein credit is provided to the buyer to purchase goods still held by the seller, guaranteeing a future supply of the goods without having to deal with an immediate delivery. Danzas and TradeDoc disclosed by Platt each involve extensions of credit, and not payment into escrow.

Independent Claim 35

As amended, independent Claim 35 describes systems for instructing a delivery service system to deliver a package during a non-guaranteed payment delivery stage, transmitting a hold request to hold the package at an intermediate location, verifying payment into escrow, releasing the package for delivery to the purchaser during a guaranteed delivery stage. As described above, such coordination of the payment into escrow to separate delivery into guaranteed and non-guaranteed delivery stages, which are also separated by the intermediate location, is not taught or suggested by the cited references, alone or in combination.

New Claims 38-41

New Claims 38-41 have been added describing a hub and spoke system wherein a facilitator computer coordinates movement of a packages and a payment to ensure simultaneous escrow of the package and the payment, and wherein a hold command is placed on delivery of the package past an intermediate location.

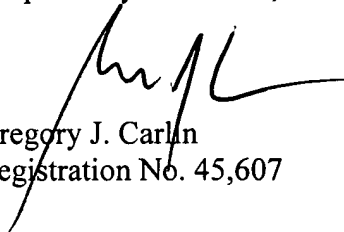
CONCLUSION

As described above, the cited references alone, and in combination, fail to teach or suggest the present invention as described in independent Claims 1, 21, 25, 35, 36 and 37. Each of the remaining dependent Claims 2-3, 5-9, 11-20, 24, 28, 29 and 31-34 depends from, and further patentably distinguishes, one of the allowable independent Claims 1, 21 and 25, and should therefore also be allowable. As a result, the rejection of Claims 1-3, 5-9, 11-21, 24, 25, 28, 29 and 31-37 under 35 USC §103(a) over various combinations of Tozzoli, BWire1, BWire2, Platt, PRN and Bacheldor have been overcome.

In view of the remarks and amendments presented above, it is respectfully submitted that claims of the present application are in condition for allowance. It is respectfully requested that a Notice of Allowance be issued in due course. The Examiner is requested to contact Applicants' undersigned attorney to resolve any remaining issues in order to expedite examination of the present application.

It is not believed that extensions of time or fees for net addition of claims are required, beyond those that may otherwise be provided for in documents accompanying this paper. However, in the event that additional extensions of time are necessary to allow consideration of this paper, such extensions are hereby petitioned under 37 CFR § 1.136(a), and any fee required therefore (including fees for net addition of claims) is hereby authorized to be charged to Deposit Account No. 16-0605.

Respectfully submitted,



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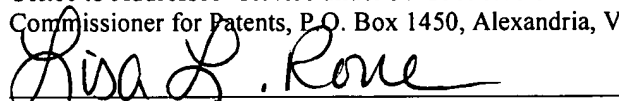
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